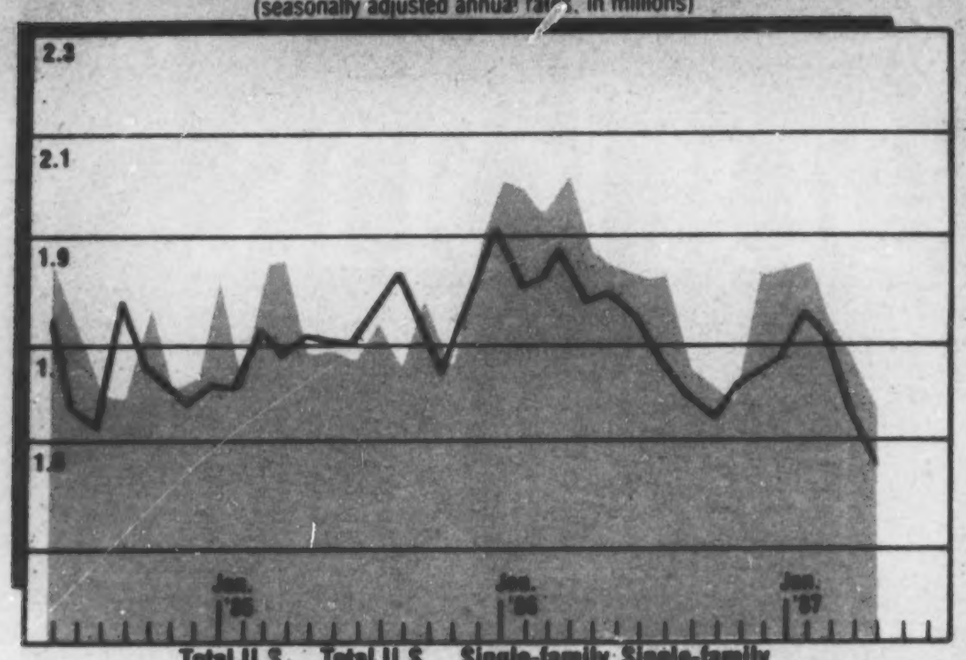
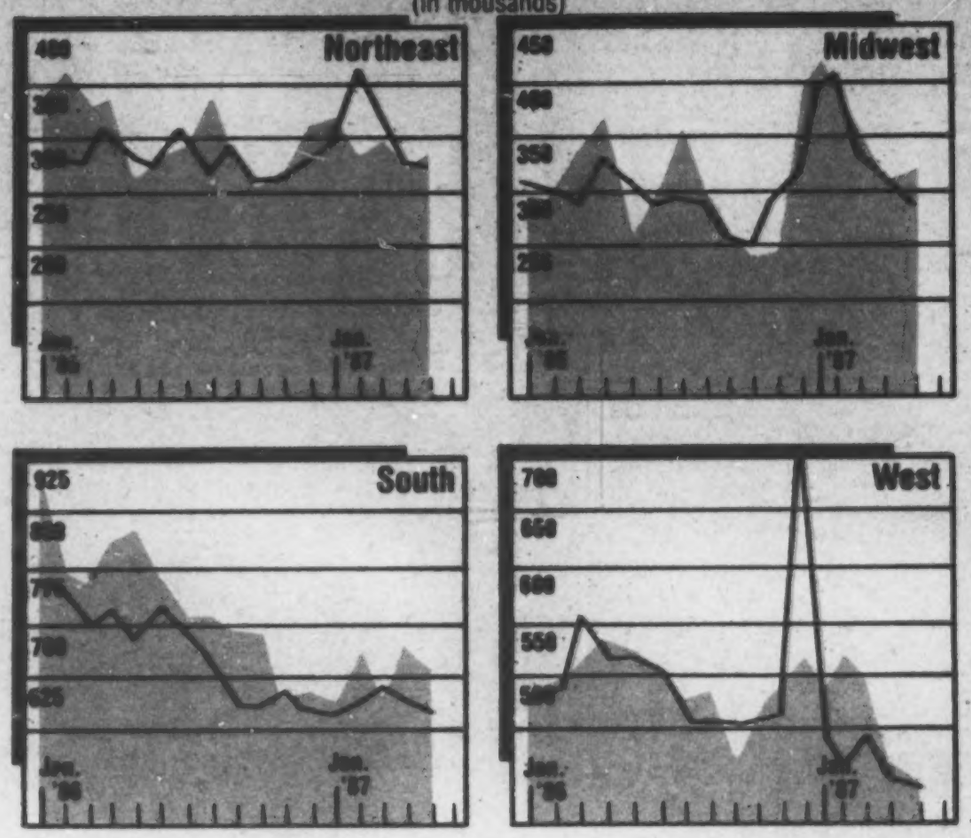
National housing starts and permits
(seasonally adjusted annual rates, in millions)



	Total U.S. starts	Total U.S. permits	Single-family starts	Single-family permits
May '87[p]	1,620	1,477	1,129	1,005
Apr. '87[r]	1,665	1,598	1,222	1,058
May '86	1,848	1,778	1,129	1,083

[p]preliminary [r]revised
Source: U.S. Commerce Department

Regional housing starts and permits
(in thousands)



Starts fall 12% from May 1986

By an NHCN staff editor

NATIONAL REPORT — Rising mortgage rates that topped 11 percent in many areas of the country cooled housing starts activity in May to a seasonally adjusted annual rate of 1.62 million units, down three percent from April.

Compared to May 1986, starts were off 12 percent, according to the Commerce Dept. Single-family starts fell nearly eight percent to 1.129 million units, down seven percent from May 1986.

Housing permits hit the lowest level in four years in May, with just 1.477 million units recorded, down 7.6 percent from April and 17 percent from last May.

The National Association of Home Builders (NAHB) is forecasting of 1.6 million units in 1987. Expectations for single-family starts, however, have been pared down to between 1 million and 1.1 million units instead of 1.1 million to 1.2 million units.

Gopal Ahluwalia of NAHB said the declining starts level was expected and that rising mortgage rates have yet to significantly impact new home construction. But if the rates continue to rise new starts will be severely impacted.

Ahluwalia expects mortgage rates to rise to 12 percent this year, up from the previously forecasted 11 percent.

In the meantime, new housing starts are on target with earlier projections.

The Northeast charted the largest gain in activity, up seven percent from April to an annualized 294,000 units, up 6.5 percent from May 1986. Permits in the region went down six percent to 273,000 units, off three percent from last May.

The Midwest saw activity inch ahead two percent, to 316,000 units, up 21 percent from May 1986. New permits fell nine percent to 278,000 units, down five percent from its May 1986 pace.

The biggest starts and permits decline in May was recorded in the West. Starts fell seven percent to 380,000 units, off 26 percent from May 1986. And permits declined 12 percent to 364,000 units, a loss of 28 percent from last May.

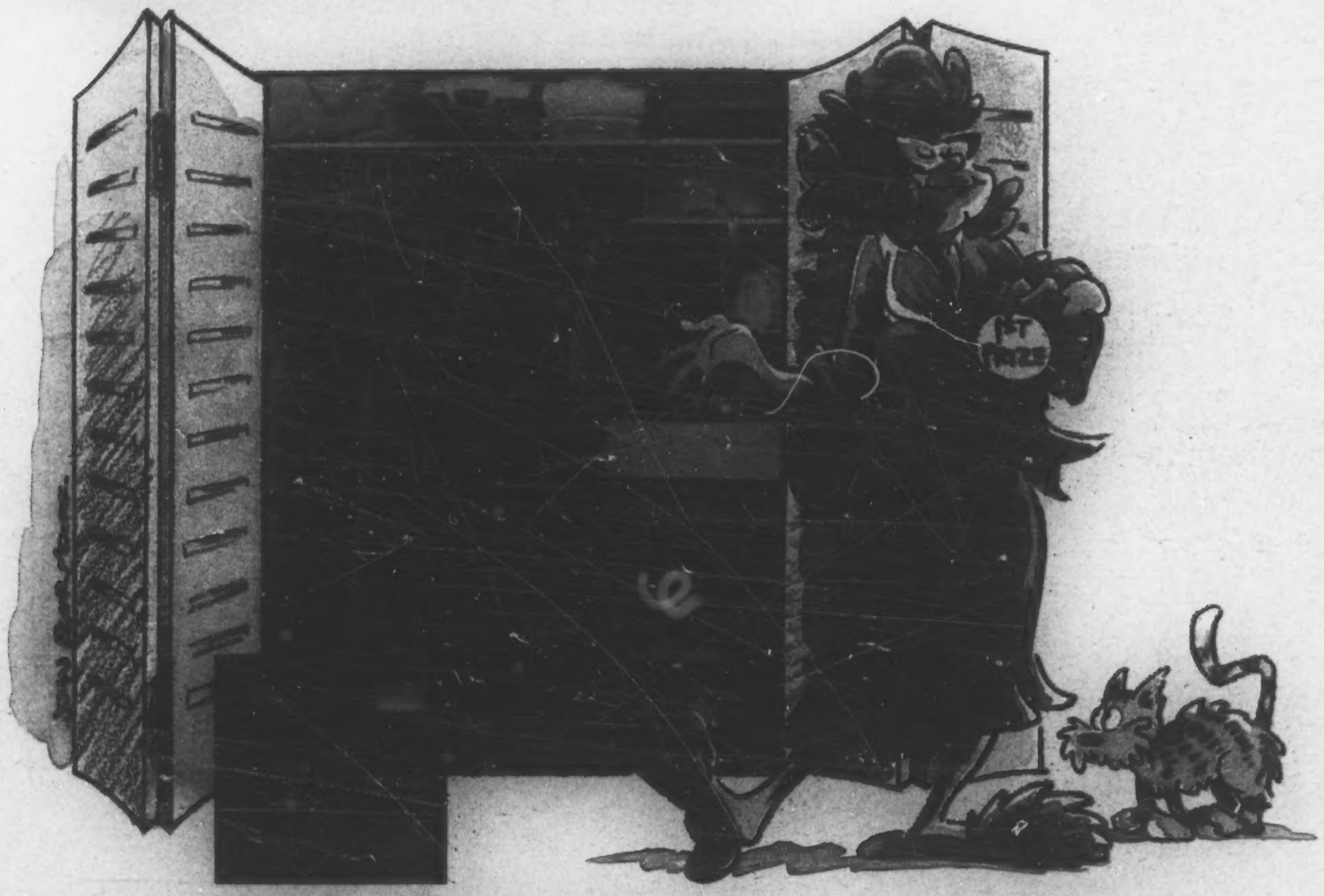
Starts fell six percent in the South, to 630,000 units, off 21 percent from May 1986. Permits fell four percent to 562,000 units, down 19 percent from last May.

Regional Housing
May '87 (in thousands)

	starts	% chg.	permits	% chg.
Northeast	294	+6.9	273	– 3.2
West	380	–6.9	364	–28.1
South	630	–6.3	562	–19.3
Midwest	316	+1.9	278	– 5.4

Source: U.S. Commerce Dept.

The Closet Butler.
It can help Doris Tushman clean up her closets, while you clean up in profits.



You know Doris Tushman. She's the one with the messy closets. The closets that eat possessions.

Now you can help the Doris Tushman's of this world, by carrying the **Closet Butler.** It's an exciting innovation in ready-to-assemble closet storage. And it's a major improvement over the vinyl-coated wire shelving you currently stock.

- **The Closet Butler is free standing.** So Doris doesn't have to drill holes in her walls. She can organize her bedroom, the pantry and even the laundry room which has no closet. And you can use it as a point-of-sale display.
- **It comes in 2′ foot and 6′ foot widths.** Doris might buy a couple of each. That ought to make you happy.
- **It's modular.** So Doris can come back to you and purchase additional shelves, poles and drawers — even something called a cubby. That should make you even happier.
- **It's made of easy-to-clean laminate.** So while everyone marvels that Doris has custom-made closets, she knows that it cost a heckuva lot less.

CLOSET BUTLER™

Carry the Closet Butler. And watch it transform Doris Tushman from perpetual slob to "housekeeper of the year." Watch it transform your profit picture too.

11440 Lackland
St. Louis, MO 63146
For more information call Gusdorf Customer Service toll free: 800-325-3622.
In Missouri call 314-567-5249.

GUSDORF. Simple Solutions

Circle 637 on Reader Service Card

PaperWorks
Georgia Pacific

Circle 040 on Reader Service Card

—6 New panels to complement any decor, 16 total
—The popular look of wallpaper, plus the DIY ease of paneling
—Available exclusively from Georgia-Pacific
Call your local Georgia-Pacific Distribution Center for more information.

©1986 Georgia-Pacific Corporation. 133 Peachtree Street, N.E., Atlanta Georgia 30303. Paper Works is a trademark of Georgia-Pacific Corporation.

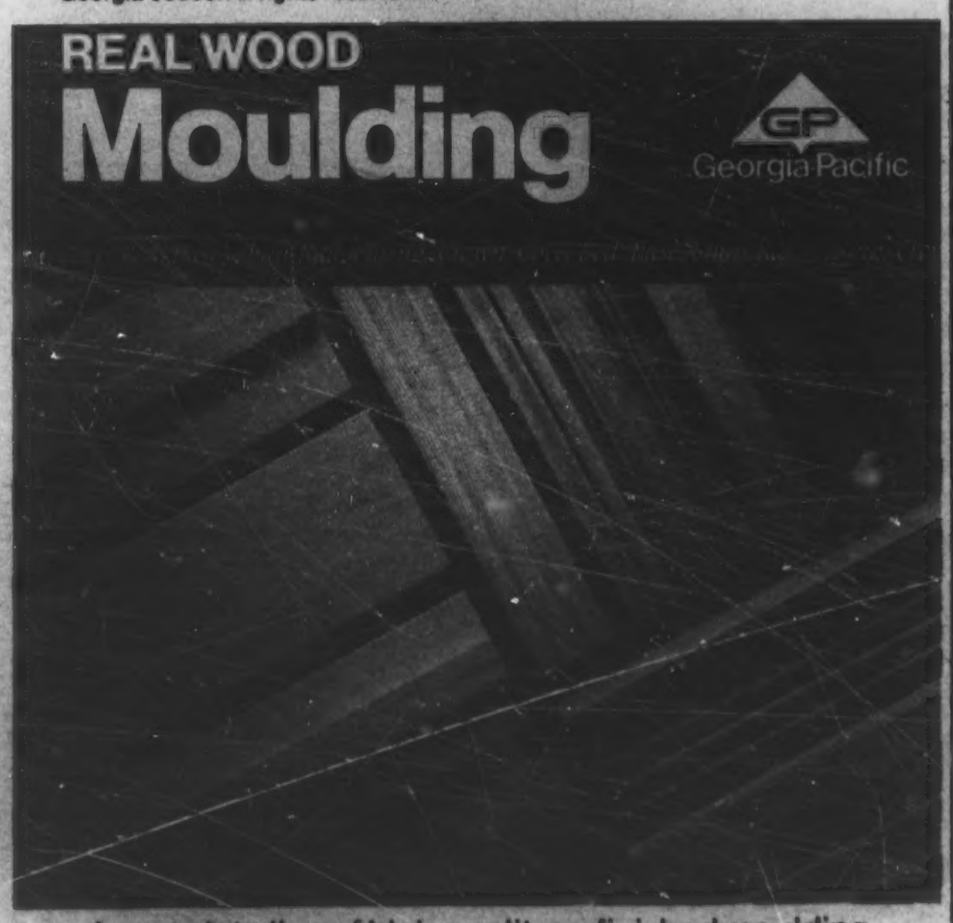
PRE-MIXED
Ceiling Texture
Georgia Pacific

Circle 041 on Reader Service Card

—Easy one-step application, with no painting required
—Convenient, 2-gallon container
—Soap and water clean-up
Call your local Georgia-Pacific Distribution Center for more information.

Dens-Glass is a registered trademark of Georgia-Pacific Corporation.
© 1986 Georgia-Pacific Corporation. 133 Peachtree Street, N.E., Atlanta, Georgia 30303. All rights reserved.

REAL WOOD
Moulding
Georgia Pacific



Circle 042 on Reader Service Card

—A complete line of high-quality unfinished moulding, meets WMMPA standards
—All popular pine and fir profiles, plus specialties
—Hard-working POS materials and displays also available
Call your local Georgia-Pacific Distribution Center today for full details.

©1986 Georgia-Pacific Corporation. 133 Peachtree Street, N.E., Atlanta, Georgia 30303.

Less demand foreshadows a drop in lumber prices

By Hawk Furman
Special to NHCN

"Where is all the lumber going" is the most asked question by lumber distributors today.

Lumber production in North America is at an all-time high while demand is slackening. The price of random length 2 x 4 Western S.P.F. is up 20 percent from last June while 2 x 10 Western S.P.F. is selling at $293 per thousand board feet FOB at the mill, up a whopping 40 percent from a year ago. What gives?

> "Lumber production in North America is at an all-time high while demand is slackening. It's not a matter of 'if' lumber prices are coming down, but 'when' and 'how much'."
> —Hawk Furman

Lumber prices are defying gravity. Southern yellow pine prices are up 17 percent, Green Douglas fir 2 x 10 random lengths from Oregon up 19 percent. On the other hand, the supply and demand equilibrium in panel board products show reality. Plywood prices are off eight percent from 1986, reflecting an increase of panel products and a leveling of demand. It's not a matter of 'if' lumber prices are coming down, but 'when' and 'how much.'

Production high

Production by mills on the U.S. West Coast is up one billion board feet for the first twenty-one weeks of 1987 compared to 1986.

Canadian production is up six percent for the year, despite the lumber tax. Exports to the U.S. are surging. Production last year was hampered by strikes in the Pacific Northwest when workers at mills owned by Weyerhaeuser and Williamette went on strike. In British Columbia 40 percent of the province's production was shut down by a sixteen-week strike.

Inventory building

Inventories are building at docks, reloads, warehouses and mills. The current dock survey shows 210 million board feet of dimension lumber on the docks from Baltimore to Boston. There is another 95 million board feet on the water destined for the East Coast. This represents a 16-week supply of framing lumber.

San Diego, already loaded with cargo lumber, has four unsold barges loaded with dimension lumber headed to port. Unsold inventories at the mills are also building. The WWPA figures show West Coast and Inland mill inventories up 12 percent over last year at this time.

Demand slackening

Demand for lumber has been good this year, yet housing starts continue to decline.

May starts were reported at an annual rate of 1.620 million and permits at 1.477 million. This is the worst housing start level since December 1984. May housing permits fell 21 percent from May of 1986.

Unsold inventory of new homes is the largest since 1978. In the Northeast, construction remains strong but houses that sold in an average of 29 days last year are now taking three months to sell.

Large contractors in the Northeast predict a construction slowdown this fall as builders try to sell what they have already built.

The bottom line to overproduction, inventory building and slowing demand is downward pressure on price. The question is how soon will price erosion begin and how low will prices go.

Hawk Furman is president and ceo of Furman Lumber in Boston.

Ply-Gem opens new warehouse

By an NHCN staff editor

BRONX, N.Y. — Ply-Gem Industries and its subsidiary, Allied Plywood, have opened a 60,000-square-foot warehouse in the Hunt's Point section of The Bronx.

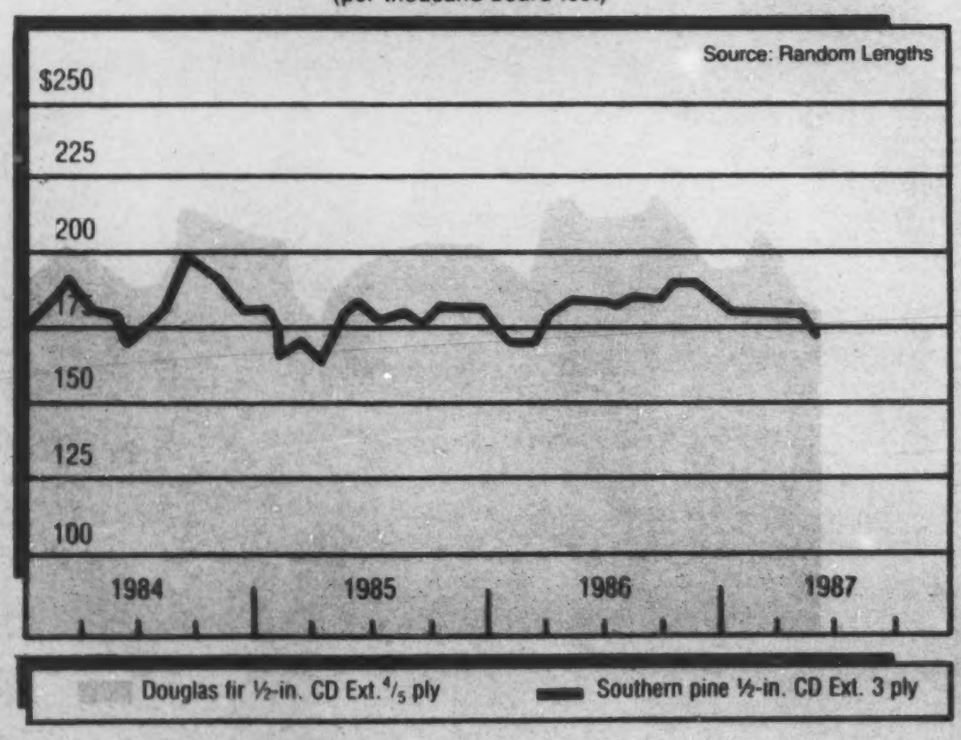
The new warehouse consolidates the company's former facilities which were located in New Haven, Connecticut and Union, New Jersey.

Bill Murray, vice president of Allied Plywood, said the new operation will allow the company to provide better service to its customers in New York, New Jersey and Connecticut because the Bronx offers easy access to all points in the New York City metropolitan area.

Allied Plywood, one of the largest distributors of specialty woods, offers a broad range of noncommodity-type products including hardwood plywood, flakeboard, hardboard veneers, melamine, tile board, wall paneling, planking, molding and other home related products.

Commodity close-up

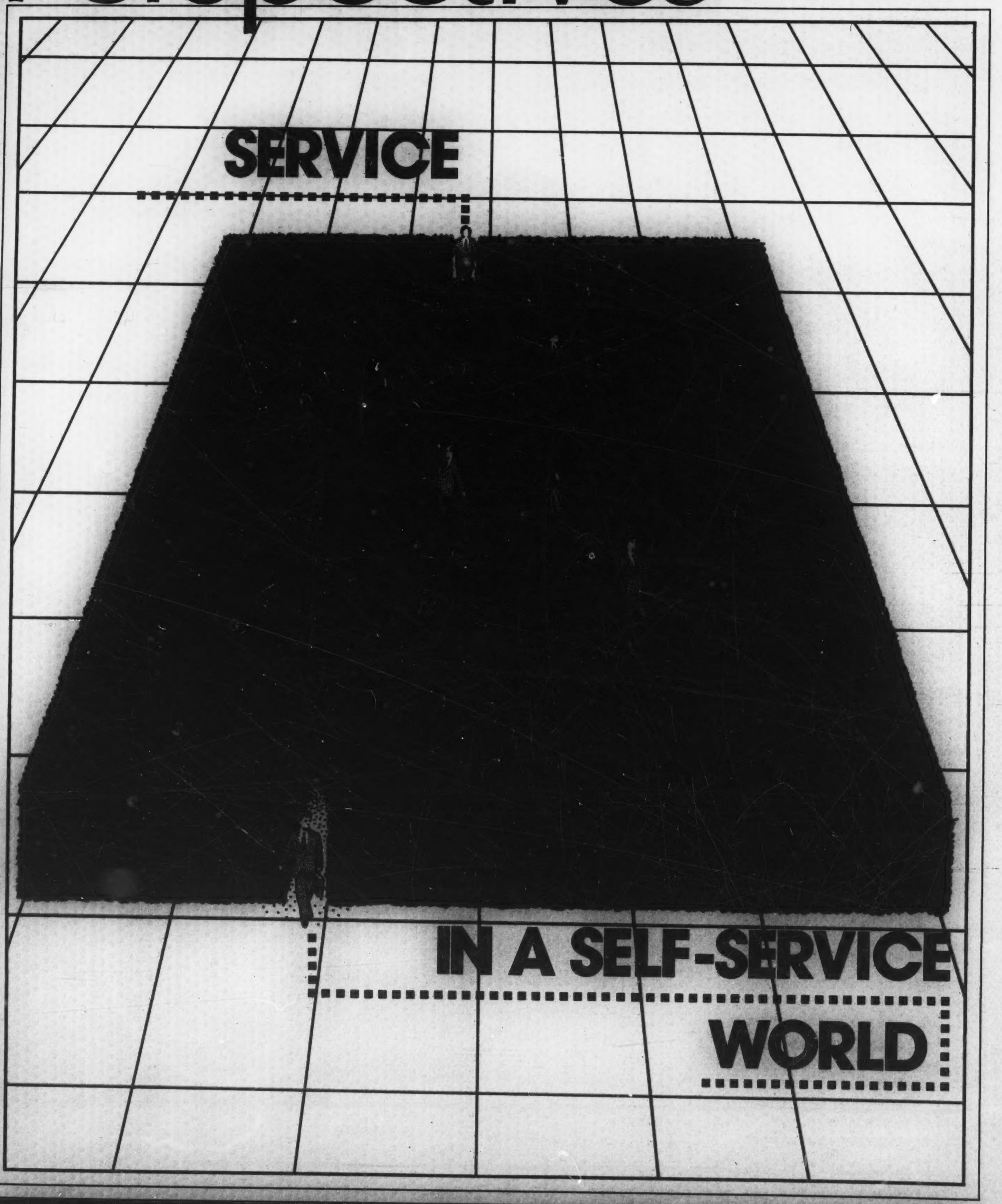
Western and Southern Plywood
Average monthly mill prices
(per thousand board feet)



Panel prices down

Prices of structural panel products dropped during the early spring. Douglas fir half-inch CD Ext 4/5 ply lost $5 from an April average of $187 per thousand square feet to $182 in May. Southern pine half-inch CD Ext. 3 ply dropped $7, from an April high of $179 per thousand square feet to a May low of $172.
The May trading levels represent the fourth consecutive month that structural panel prices have slipped. In February, Douglas fir half-inch CD Ext. 4/5 ply hit a year high of $196 per thousand square feet. During the same month, Southern pine hit $185.

Perspectives



When self-service is strong service image gains 30

Retailers wrestle with how much help is enough 31

Customers balk at being charged extra for service 32

Perspectives

Customers want to shop stores on their own

By an NHCN staff editor

Service remains one of the key issues for home centers, and most chains and independents recognize that to get and keep business in a competitive environment they need to go beyond price cutting and provide that extra element of customer assistance.

The dilemma is that providing service is usually equated with the number of salespeople on the floor, which can become an expensive proposition.

A recent consumer study conducted for *NHCN* by the Chicago market research firm Leo J. Shapiro & Associates, discovered an intriguing paradox: Customer satisfaction with service is a function of the customer's ability to shop a store on his own. Therefore a store that has achieved a superb level of self-service might get higher marks for service than a store that has heavily invested in store personnel.

Home centers do not come close to supermarkets in the self-service environment they provide. And shoppers are more likely to expect assistance in a home center.

Still, in Phoenix, an advanced home center market, 85 percent of home center customers said they were able to shop the store either on their own or by asking for directions.

The study reveals that because shoppers have become accustomed to self-service, failures in a store's self-service system can be costly. A customer who needs to interrupt his shopping to ask how to find certain merchandise is likely to spend less.

On the other hand, there is opportunity for retailers to intervene when the customer needs assistance that the self-service system cannot provide—help in making a buying decision, for example. This kind of assistance can enhance a sale.

Given the delicate balance that needs to be maintained between the self-service system and assistance provided by personnel, the study explores the departments and categories where assistance from store help would be most welcomed.

In fact, developing a store that is 100 percent self-service would be self-defeating, as the interaction between consumer and salesperson remains vital to the ability of home center dealers to make big-ticket sales and cultivate repeat clients.

In addition, the dealers need to ensure that the service at the store's checkout counters is the best it can be, because all the consumer goodwill a store may have built up by striking the right balance of service can go down the drain if it takes forever for the customer to pay for his merchandise.

Service expectations vary with type of store

Self-service is a Way of Life

Type of Store	Percent of Self-shoppers
Discount Dept. Store	92
Dept. Store	78
Sporting Goods Store	64
Furniture Store	37

But Most Retailers Fall Short

Type of Store	Percent of Shoppers Who Say Store's Self-service is Good
Department Store	50
Discount Department Store	46
Sporting Goods Store	46
Hardware Store	33

By an NHCN staff editor

We live in a self-service world, and the concept of self-service has become a way of life for more people.

It probably could be argued that "do-it-yourself" is, in fact, an extension of most people's desire to do things on their own, with the minimum amount of assistance.

Consequently, retail stores have been changing the way they do business to accommodate these urges by consumers. However, the level of service expected at different retail outlets varies almost as much as the merchandise they carry. And where a store offering no service may be right for a supermarket, it clearly wouldn't work for a home center, according to responses from consumers polled nationwide for *NHCN*'s 1987 study of Consumer Attitudes.

Virtually every household questioned said they usually shop a supermarket without any help. And more than nine in 10 said they did the same at discount stores.

More than half said they would shop in a home center without getting assistance, an indication that the promotion of self-service is important for the operation of these stores.

But this last statistic is like the half-full, half-empty glass of water: it all depends how you look at it. Fifty-two percent of those polled ranked service—i.e., the ability to get help when needed—as "important" when they shop a home center.

To quote one shopper, "It's important to have assistance at a home center. People come in and don't always exactly know what they need or need help finding it. They should all have an information booth for people that need assistance to inquire about what they need to know."

Unfortunately, home centers do not appear to be providing an adequate self-service level for their customers. Where a supermarket's self-service is rated highly by more than two-thirds of the study's respondents, home centers could muster the same kudos for self-service from 46 percent. In other words home centers are not making it easy for their stores to be shopped independently for more than half of those participating in the study.

As other research in this study points out, the level of self-service has a direct impact on what a customer is willing to spend in a home center, and on the consumer's perception of that store's overall service level.

(One point to note about hardware stores: Nearly three in five households polled thought service was important in shopping a hardware store, but only a third said these stores provided a strong self-service environment.

("It's not easy to shop on your own in a hardware store," said one respondent. "Only the clerks know where things are."

(The study goes on to show, however, that hardware is not an easy product to shop for, primarily because of the sheer number of stockkeeping units most stores carry. Consequently, the development of a self-service store that also presents a service image to consumers appears to be more complicated for hardware units.)

When self-service is strong service image gains

By an NHCN staff editor

A store projecting a strong self-service shopping image to consumers also, paradoxically, is a store that usually ranks high as a place where customers feel they can get help if they need it.

Creating that self-service environment is crucial, though, because consumers who need to ask where products are or what a DIY job requires are spending less per visit than the mean for consumers nationally, according to findings in *NHCN*'s 1987 Survey of Consumer Attitudes.

The paradox of self service: The less shoppers need to rely on store personnel, the better the level of service is.

When consumers think about self service, two categories—directional and presentational—come to mind most immediately.

Customers want to be able to find where merchandise is located on their own, especially products they've seen advertised. And they want to be able to make their own buying decisions without the assistance of a salesperson.

Consumers are telling home center dealers they need to improve their signage, category identification and layout to develop a self-service environment in their stores. In fact, nearly three in 10 households polled said that "good signs"—essentially a store's road map—are what make it easy for them to shop without service; another quarter of the respondents said that the self-service shopping experience was enhanced when product categories were clearly marked.

Self service, spending linked

Once they find where they are going, consumers evidently want dealers to develop better displays to present product categories in a more useful fashion. A store's self-service image is advanced, said 17 percent of the households queried, when it has "good displays." Another 14 percent thought "complete departments" that were well stocked and had strong POP literature, also helped them shop on their own. One in 10 households said well-marked products and prices did the trick.

Most consumers perceive themselves as self-shoppers. Three out of five shoppers interviewed after they left a home center in the Phoenix market said they shopped entirely on their own; another 25 percent only needed directional assistance to complete their visit to the store.

Consumers there were particularly appreciative of stores that had "everything set up and easy to find. The aisles all have numbers and they have lists next to the numbers saying what is in them" or units where "the aisles are wide and . . . have enough room so the products aren't bunched up so you can find things."

Needless to say, these self-service consumers don't want to be interrupted when they are shopping, and want to be able to go through the stores without approaching a salesperson to find out where something is or what

Total self-service may not be desirable

By an NHCN staff editor

When the self-service system breaks down or when it does not go far enough, shoppers turn to store personnel for assistance.

The kinds of assistance provided by store personnel can be divided into two categories that correspond roughly to the two types of self-service help—directional and presentational.

Store personnel either help shoppers find what they are looking for, which again is directional assistance, or they help shoppers make buying decisions, which is technical assistance.

Source: NHCN 1987 Survey of Consumer Attitudes; Leo J. Shapiro and Assoc.

Broadly speaking, when home center store personnel provide the missing information that the shopper needs to make a buying decision, a form of technical assistance is being provided. The store employee may give the customer information about materials needed for a project, the size product required, the price, amount, color or other aesthetic considerations.

When shoppers need to turn to store help for assistance it generally signals a breakdown in the store's self-service system. But that glitch can be turned into an opportunity.

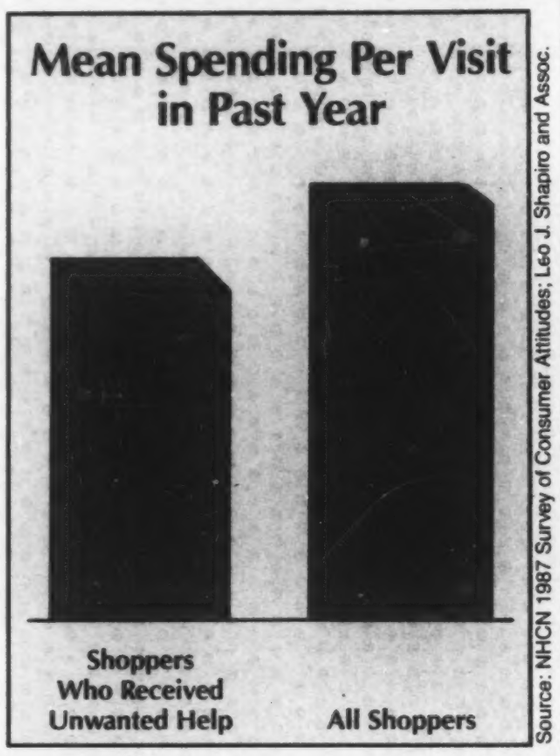
While customers who needed to interrupt their shopping to ask directions spent less per visit than the mean average ticket of $50, customers who received technical help actually spent $59 more per visit. This finding suggests that 100 percent self-service is not desirable. While the annoyed shopper may spend less, the shopper whose technical information needs have been satisfied spends more.

It seems that shopper requests for information, while signaling a failure on the part of the store's self-service system, also represent an opportunity if the direction request leads to technical help.

Interaction between store personnel and shoppers can be productive, but it's not that simple.

Shoppers do not like being intercepted by a sales person when they do not need help.

Compared to the average shopper who spent $50 per visit, the shopper approached by personnel when assistance was not needed spent only $41 per visit.



Source: NHCN 1987 Survey of Consumer Attitudes; Leo J. Shapiro and Assoc.

This finding suggests that retailers need to deploy store personnel strategically in parts of the store where customers have difficulty shopping on their own or where they're looking for ideas.

Personnel need to know when to sell, of course. But they also need to know when not to sell.

Retailers wrestle with how much help is enough

By an NHCN staff editor

A basic assumption of this research is that retailers, to control costs, will develop effective self-service environments to limit the number of employees assigned to the store.

There are serious implications, however, when flaws develop in the self-service system.

Poor directional help and unwanted assistance can depress sales. On the other hand, technical assistance can increase sales. Where does a retailer deploy personnel most effectively?

In allocating sales people to support a self-service environment, home centers need to recognize the areas of the store where shoppers are most likely to have a problem completing a purchase on their own.

Need for help varies by dept.

Among 18 product categories and departments in which home center shoppers rated their ability to shop without assistance, the greatest confidence was in garden supplies and hardware and paint. The least confidence was in heating equipment, windows and doors and insulation.

In general, self-service assistance is most likely to be needed with products and departments that are used in major structural improvements.

Shoppers rated 18 product categories and departments on a nine-point scale, in which a score of nine meant that the customer was sure he could shop without assistance.

Garden supplies rated 6.8, followed by hardware, 6.4 and paint at 6.2. At the other end of the spectrum was heating equipment, 4.6 windows and doors, 4.8 and home insulation, 4.9.

Reasons for assistance vary

It is not enough to know where shoppers are likely to need assistance. For sales personnel to respond effectively, they need to know what kind of assistance is needed.

The kinds of assistance can be organized into three broad types:

- Assistance before a purchase. This has to do with finding out what is available, locating it and learning about brands.
- Assistance in selecting something once the shopper is ready to buy. This has to do with selecting the correct size, color or quality.
- Assistance during and after a purchase. This has to do with special services like cutting lumber and mixing paint as well as loading a customer's car or providing delivery.

In some product categories customers require all three types of assistance. Kitchen cabinets, that can be part of a major home improvement endeavor, would be an instance where shoppers need a lot of help.

Before making a decision they might need information about

(Continued on page 32)

they need for a DIY project.

In fact, when signage is inadequate or merchandise is badly marked, forcing consumers to stop and ask for help, customers wind up spending less in the store during that visit.

The mean expenditures for all shoppers participating in *NHCN's* Consumer Attitudes study was $50; but the average ticket among those who recalled asking store personnel for help was $38.

Helping customers 'dream'

This finding suggests it is critical that home centers help shoppers learn to navigate a store as quickly as possible.

The study also found that the greatest challenge facing dealers was in properly presenting merchandise to their customers.

Product presentation helps customers decide what they need and determine how much something costs on their own. For instance, one consumer surveyed praised a store's garden department by describing it as "plainly marked so you don't need to ask people much." Correct presentations also augment a store's aesthetic image and can highlight product features for the customer.

The Paradox of Self Service

The stronger the product presentation, the more likely it will be that customers can not only shop on their own, but can also discover new ideas for improving their homes, thereby satisfying the emotional need of a shopper to fulfill a home remodeling dream.

This year's Consumer Attitudes Study tested consumer preference for self service in 18 home center departments.

It found that a store's perceived level of service was much higher when its self-service machinery—in the form of good signage and helpful displays—was operating on all cylinders, and gave consumers the *confidence* to shop on their own.

The less shoppers need to rely on store personnel, then, the better they believe the level of service is. For example, 100 percent of those customers who said they were confident enough to shop on their own in all departments identified the home center they shopped as being a good place to get DIY advice.

As the confidence level declines, so does the service perception of the store. Eighty-eight percent of those consumers confident in shopping some departments saw the home center as a place to get help; the total drops to 80 percent among shoppers with no confidence shopping any departments.

Looking at this another way, nearly nine out of 10 shoppers who gave a home center a high rating for self service believed that same store had good service. Only three in four consumers giving a home center poor marks for self service thought the store was a good place to seek advice.

Dealers may conclude from the study, then, that attempts to improve service simply by increasing their manpower on the sales floor may by making a mistake.

Source: NHCN 1987 Survey of Consumer Attitudes; Leo J. Shapiro and Assoc.

Survey polled 800 homes nationwide

By an NHCN staff editor

"Service in a self-service world," conducted for *NHCN* by Leo J. Shapiro & Associates, consisted of telephone interviews with 800 households nationwide in February and March 1987. The interviewees, divided equally between the "man" and "woman" of the household.

In addition 139 interviews were conducted in person during March with shoppers exiting Payless Cashways, O'Malley Lumber, The Home Depot and Ole's in Phoenix.

Phoenix was chosen as the market for the study because of its advanced development for home center retailing. These exit interviews are done to test whether consumer attitudes towards service shifted immediately after shopping.

The telephone interviews lasted an average of 32 minutes, and explored the respondents' attitudes towards services in all retail environments, including home centers. Those polled who had shopped home centers regularly over the previous year were then interviewed extensively about the strengths and weaknesses of these stores' service offering.

Perspectives

cover story

Stores wrestle with how much help is enough

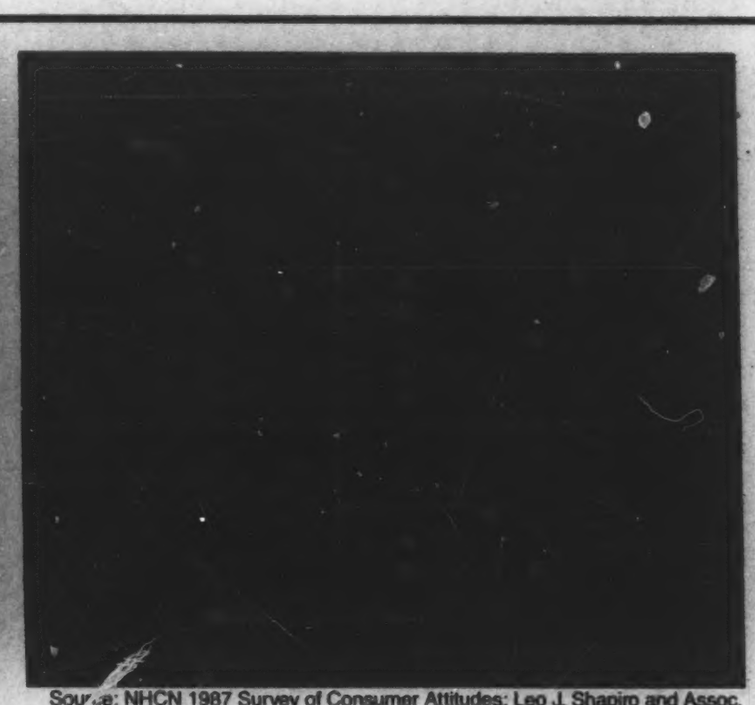
(Continued from page 31)

brands and warranties. Once ready to buy selecting sizes and learning about quality would be important. To complete a purchase customers would need delivery information.

At the other extreme are garden supplies. Shoppers feel confident about buying this merchandise. The question often asked is simply, "How much do I need?"

Hardware is an interesting category in terms of customer need for assistance. Customers are confident about shopping for hardware but it is the one instance where customers overwhelmingly say they need help finding an item.

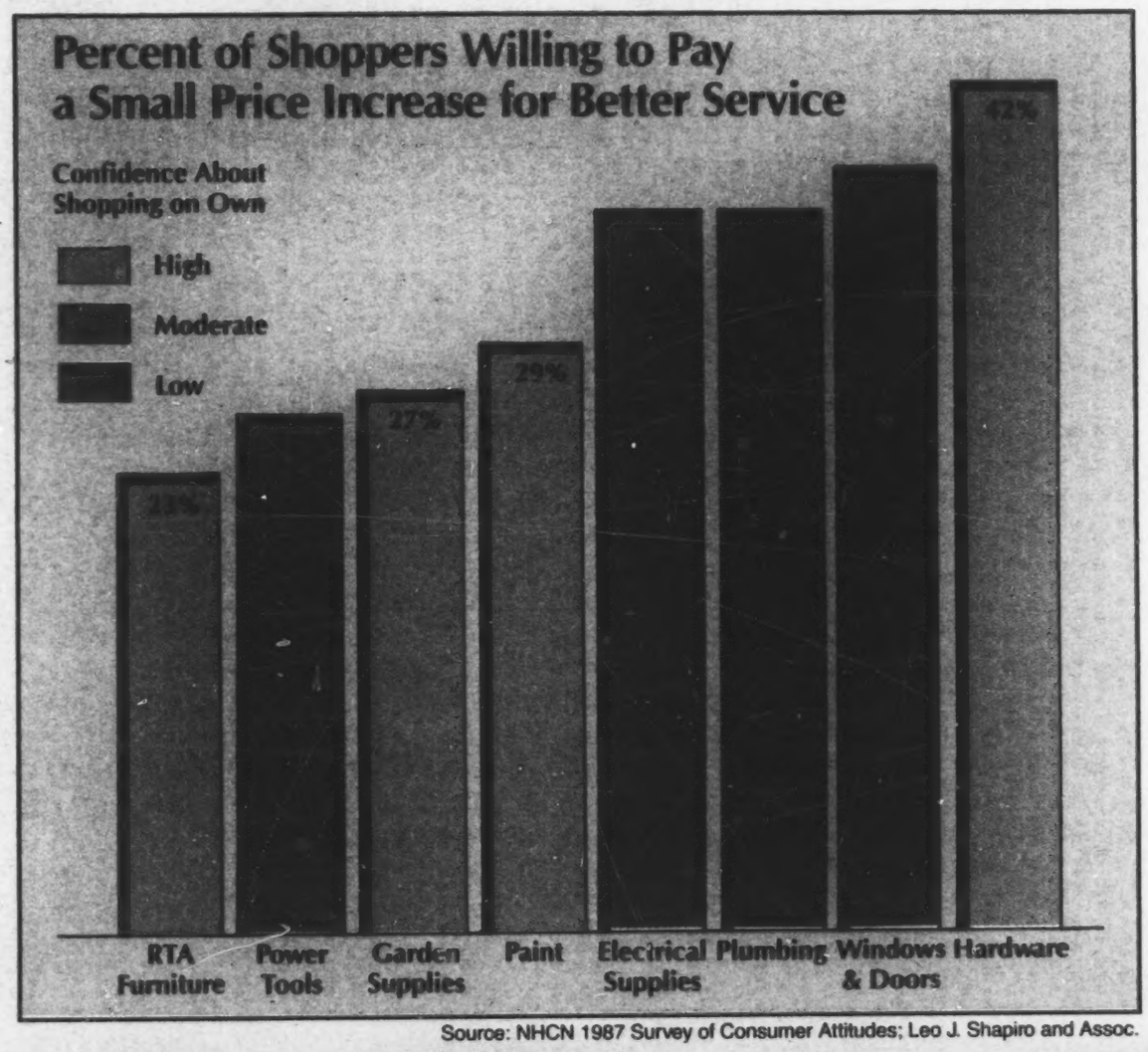
It seems that because there are often so many different stockkeeping units in hardware, customers find it difficult to find what they need.



Source: NHCN 1987 Survey of Consumer Attitudes; Leo J. Shapiro and Assoc.

This is probably a department where better presentations would help the shopper to work the store on his own, since finding merchandise seems to be the main problem.

In some categories, like electricals, plumbing and heating, shoppers are especially insecure and may have numerous questions to ask before they even begin to shop.



Source: NHCN 1987 Survey of Consumer Attitudes; Leo J. Shapiro and Assoc.

Customers balk at being charged extra for service

By an NHCN staff editor

Customers see service as their right. They enter a store assuming its self-service system is going to work. When consumers hit a snag, it is seen as a mistake by store management for which they do not want to pay. In fact, 62 percent of customers said they were unwilling to pay more for service.

There is no department in which a majority of shoppers would be willing to pay for service. Retailers run a risk if they charge for service since shoppers will resist such a levy.

If retailers insist on charging for service, the risk is usually less in departments where shopper insecurity is high. For example, only 23 percent of shoppers said they would be willing to pay for service when purchasing ready-to-assemble furniture. Shoppers are confident that they can complete that purchase without assistance.

On the other hand, 38 percent said they would pay for service when buying windows and doors, categories where shopper confidence is low.

The one striking inconsistency is that more than two in five shoppers—a higher ratio than for any other category—are willing to pay extra for help when purchasing hardware. Yet shopper confidence is high when it comes to buying hardware.

The dilemma seems to come down to this: A hardware purchase is usually straightforward. It is not automatically tied to a major structural home improvement so shopper confidence is relatively high. But in reality, shopping for hardware is difficult. It is a category with a lot of miscellaneous stockkeeping units that often make it difficult for the shopper to locate what he needs.

Proper tools aid self-service environment

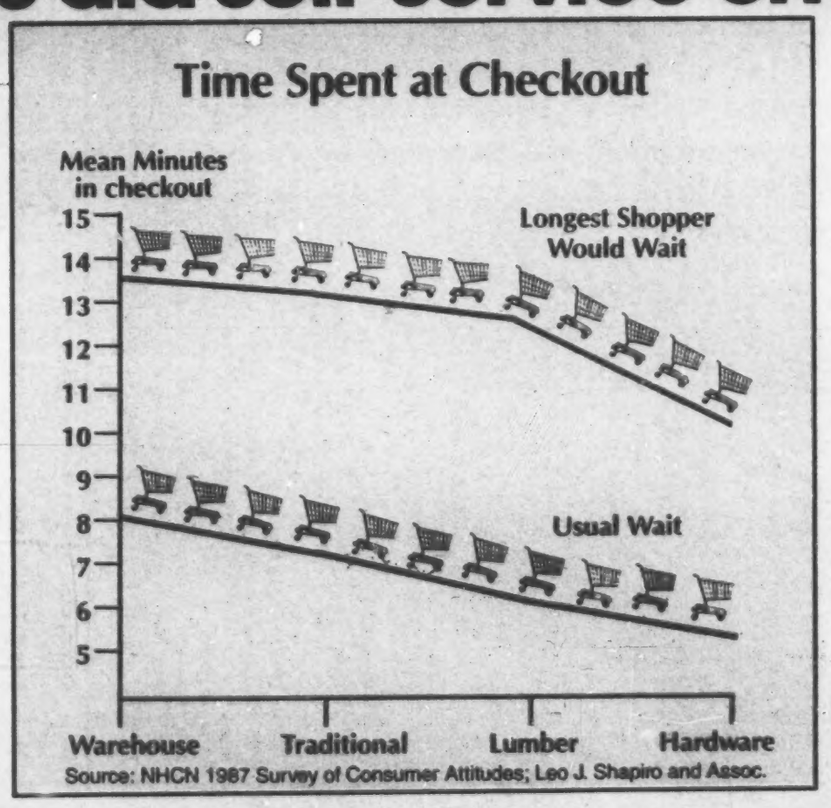
By an NHCN staff editor

Shoppers understand that in a self-service environment they are doing the work, including moving bulky merchandise through the store. Although they accept this condition they expect that proper tools and equipment, like carts, will be provided.

They also expect help with tasks that they cannot perform themselves, like mixing paint and cutting lumber.

On the other hand, shoppers do not assume that delivery will be provided. This distinction seems to hold: While in the store shoppers expect certain services to be provided as their right. Delivery is not seen in the same light. It occurs when shopping is completed and therefore is not considered among the things retailers provide to make shopping easier. In fact, 65 percent of shoppers said that delivery did not make a difference.

Since delivery is not considered a right, retailers risk less if they charge for this service. Further, shoppers were split about whether they would expect to pay for delivery. And the 50 percent who said they would expect to pay tend to be core customers who visit stores more frequently and spend more. So in charging for delivery retailers are less likely to risk alienating core customers.



Source: NHCN 1987 Survey of Consumer Attitudes; Leo J. Shapiro and Assoc.

Checkout experience important

Checkout is another place where retailers need to be careful about what customers view as their right to service.

Checkout is touchy because for most shoppers it is the only time when they are dependent on the store for assistance. In fact, checkout blocks the majority of shoppers from completing their shopping entirely on their own.

Since it is the one time during a shopping visit that the customer must interact with store personnel, it could be argued that customer satisfaction with a store's checkout should be greater than customer satisfaction with a store's self-service performance overall. It is not.

While 58 percent of shoppers rated self-service at their favorite store as good, only 40 percent rated checkout as good.

Shoppers were asked to use a rating system of 0 to 100. Good was considered any score between 60 and 89.

Overall, the mean rating for self-service overall was 78, while the checkout rating was 73.

The average time shoppers expect to spend at checkout is 7.5 minutes. The longest they are willing to wait is 12.7 minutes. They generally expect to wait an additional half a minute at a warehouse store.

DIYers need help from start to finish

Once a retailer spends money and effort providing shoppers with directional, presentational and technical help, how does he know that the shoppers will not take the information and run—to a competitor?

The retailer does not know for sure. But only 13 percent of home center shoppers can recall any occasion where they used advice gotten from a home center to assist them in making a purchase from another store.

There is no reason to be defensive about supplying customers with help. The same customer may act differently when buying home electronics; one who pumps a full-line retailer for information about the latest in stereo equipment and then buys at the nearest off-price outlet.

Such service ripoffs seem more likely in the world of Crazy Eddie than Handy Andy, though. The nature of the home center business seems to require a different shopping attitude. DIY customers need help from the employee when they start the project. And half way through, need to know they can return and get more.

ADVERTISING & MARKETING

Norton promotions leave room for dealer changes

By an NHCN staff editor

WORCESTER, Mass. — Norton, the sandpaper manufacturer, launched a novel promotion this spring called "Dealer's Choice." It allows the dealer to customize Norton's promotions to meet his market needs.

Norton not only gives wholesalers and retailers a choice of 10 different promotions but also leaves the timing entirely up to the dealer.

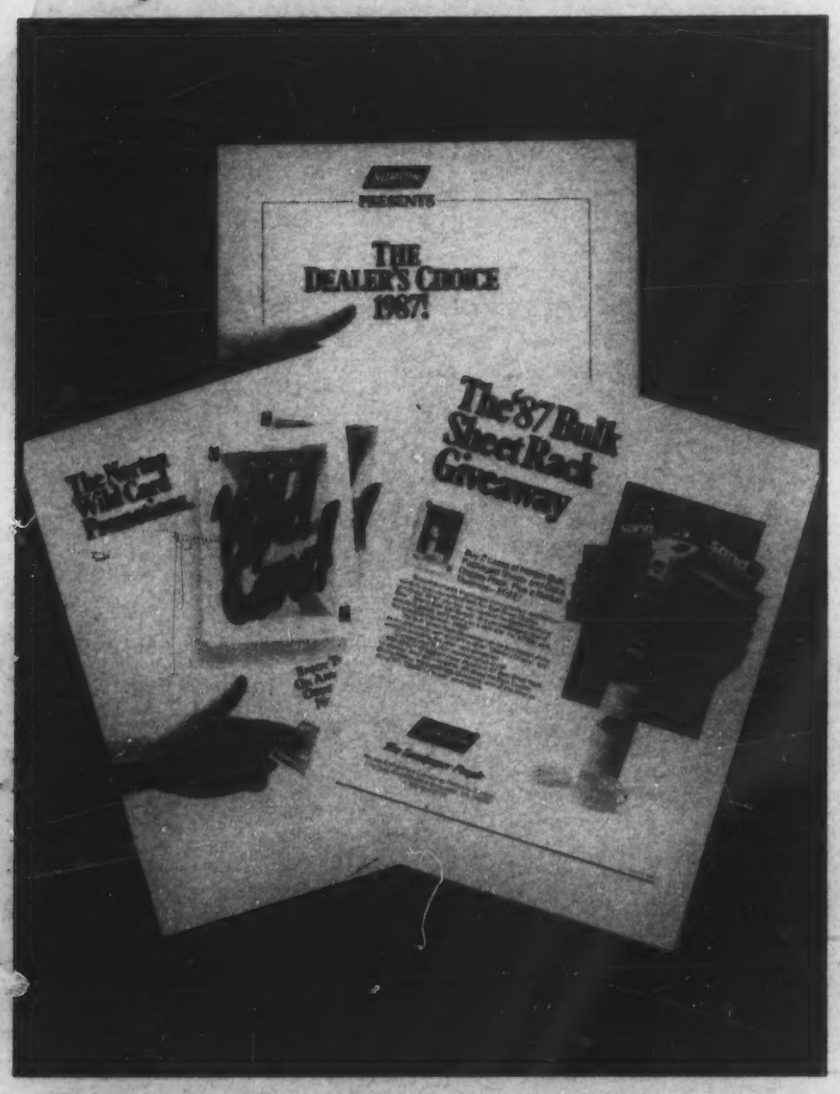
Dealers Choice was put together in response to research conducted by the company among wholesalers and retailers from the hardware, home center, discount and mass merchant fields. A total of 235 dealers answered questions on what features prompted them to participate in promotion and what they thought motivated customers to participate.

Although respondents agreed that manufacturers' promotions increased their business from existing customers and attracted new customers, they differed over what they thought to be the most important features of any promotion.

Overall 58 percent found discounted price to be the most important feature; 16 percent wanted to choose what time of year they would run the promotion; 12 percent wanted the dating extended; and eight percent wanted more variety in the promotions.

As far as motivating distributors' salespeople to run the promotion, more than half of those surveyed thought that price discounts were the best method while nearly two in five cited cash spiffs.

Dealers weighed cash rebates and premium offers at discounted prices as equally important in motivating consumers. But many disliked the paper work involved in rebates.



Norton followed up its research findings by launching Dealers Choice this spring. The promotion offers incentives to both consumer and contractor customers as well as giving the retailer a variety of free gifts and bonuses. It allows dealers to chose any or all of the 10 promotions offered with no minimum required.

Introduces new products

Norton also used the promotion as an opportunity to introduce some new products and packaging ideas.

The company introduced its new dry-wall sanding products to the consumer with a free putty tool attached to the packet. For contractors it introduced a new 25-sheet package of all-purpose sandpaper, with a free commuter cup for buying one pack; a six-pack cooler for buying five; and a five-inch lockblade knife for buying 10.

For the dealer Norton offered promotions with a five percent discounted price on products for any two-month period of the year.

It also made available a number of free merchandisers with bulk purchases as well as a variety of personal gifts including an AM/FM stereo radio with headphones.

Ad Budgets

Chart shows ad budgets of some major home center companies in 1986 and 1985. Also shows ad budgets as a percent of the year's sales. Dollar figures in millions.

	1986 Ad budget	As % of sales	1985 Ad budget	As % of sales
K Mart	$581.0	2.4%	$554.0	2.4%
Zayre	125.0	2.3	99.0	2.4
Payless	37.6	2.5	35.0	2.4
Lowe's	34.5	1.5	26.2	1.2
Grossman's	29.4	2.9	26.6	3.0
Home Depot	24.6	2.4	22.5	3.2
Ace Hardware	24.3	2.2	22.4	2.2
Hechinger	17.4	3.5	14.2	3.5
American Hardware*	17.2	2.0	16.2	2.4
Pay 'N Pak	12.7	3.8	10.4	3.4
Standard Brands	11.5	3.5	13.4	3.9
Scotty's	9.1	1.9	8.5	1.9

*For fiscal years 1987 and 1986, both ended June 30. Source: The companies

Growth in ad budgets doesn't keep pace with sales increases

By an NHCN staff editor

NATIONAL REPORT — Advertising budgets as a percentage of sales either dropped or were flat last year for 11 of 14 publicly held home improvement companies, according to annual reports and information filed with the Securities and Exchange Commission.

Though most of the companies spent more on advertising in 1986 than 1985, their sales also rose across the board.

Consequently, The Home Depot, whose sales grew 44 percent last year, saw its ad budget of $24,617,000 equal only 2.4 percent of its volume, compared to 3.2 percent of 1985 volume with expenditures of 22,550,000.

National Lumber, the Fountain Valley, Calif., operation, saw its advertising budget (net of co-op rebates) drop to 4.5 percent of sales last year, from 5 percent in 1985. National Lumber's dollar spending also declined to $6,783,000 from $6,693,000, while its sales rose to $150,027,699 from $135,866,006. Over this period, the chain suffered a $2,421,000 net loss, compared to a loss of $154,000 in '85.

Sales down at Standard

Both sales and advertising expenditures were down at Standard Brands. The advertising budget dropped by four-tenths of a percentage point, and sales declined from $337.9 million to $326.6.

William Nickel, Standard's vp-communications, blames the sales decline on stiff competition. And he says that "proportionally, to increase sales, it wouldn't have been cost effective," to maintain or increase ad spending.

To cut spending, Standard reduced its circular distribution, "shaved a little bit off the size of our ads," and cut back slightly on its ROP advertising, Nickel said.

On the spending side, Pay 'N Pak, showed the biggest percentage increase in its advertising budget as a percentage of sales: 0.4 percent.

Lowe's was up three-tenths of a percentage point.

"We haven't made any dramatic changes in [advertising] philosophy," said Ralph Buchan, Lowe's vp-advertising.

Spending flat at Scotty's

He notes that most of Lowe's advertising is geared toward the consumer side, which represents 55 percent of the chain's business. When advertising spending is compared to retail sales for 1986, it represents 2.7 percent of total retail sales, compared to 2.4 percent of sales in 1985.

"As retail becomes a bigger percentage of our business," says Buchan, "we'll have to consider how to get the most for our ad dollars."

At Scotty's, ad spending was flat as a percentage of sales. Bob Fant, director of advertising said that in 1986 Scotty's opened stores in existing markets, enabling the company to advertise more stores for the same money.

Fant says Scotty's is also "doing a better job of collecting co-op dollars," and plans its advertising in advance to keep costs down.

"We don't really spend on the spur of the moment," Fant says.

Overall in 1986, home centers spent 2.3 percent of sales on advertising, according to a survey conducted by *Chain Store Age Executive*, a monthly business magazine. That percentage was expected to jump to 2.6 of sales this year.

Despite the trend toward TV and radio, print continued to represent the largest chunk of retailers' budgets.

"When you've got a variety of products," says Buchan, "print media is the best way to display them."

B & D planning new promotions to push line of pro power tools

By Milford Prewitt
NHCN staff editor

HUNT VALLEY, Md. — Black & Decker is formulating a new promotion and distribution campaign that will remind builders and remodelers that the firm makes professional power tools.

Concerned by a frequent misperception that B&D only makes consumer-level power tools and disturbed by the market penetration of Makita and others, B&D intends to put together a program to advance the image of its "black" line of tools to professionals.

The first step entails making improvements in distribution and aiming some of its marketing programs to professional remodelers and builders, according to Mike Convey, vp-sales.

The company's advertising director, Lynda Chambers, was reluctant to discuss the new program until plans are complete. But Convey was more forthcoming in outlining the distribution and broader marketing problems B&D has encountered.

He said the company had spent six months examining its posture in the professional market, reaching the dismal conclusion that it has little presence with distributors who move professional power tools.

The answer, Convey suggested, is in better-directed advertising in both trade and consumer markets.

"What has happened is that we have, unfortunately, for as long as I can remember, never had a presence in the lumber and building supply end of the distribution for residential construction and the remodeler," Convey said. "They have not known that B&D has a grade of tool that they would be interested in buying.

"That's how Makita and others have been able to get in the market and develop a chain of distribution where we were weak or nonexistent."

Convey said retailers also shared in the misperception and they, too, will be targeted with promotions to change their thinking.

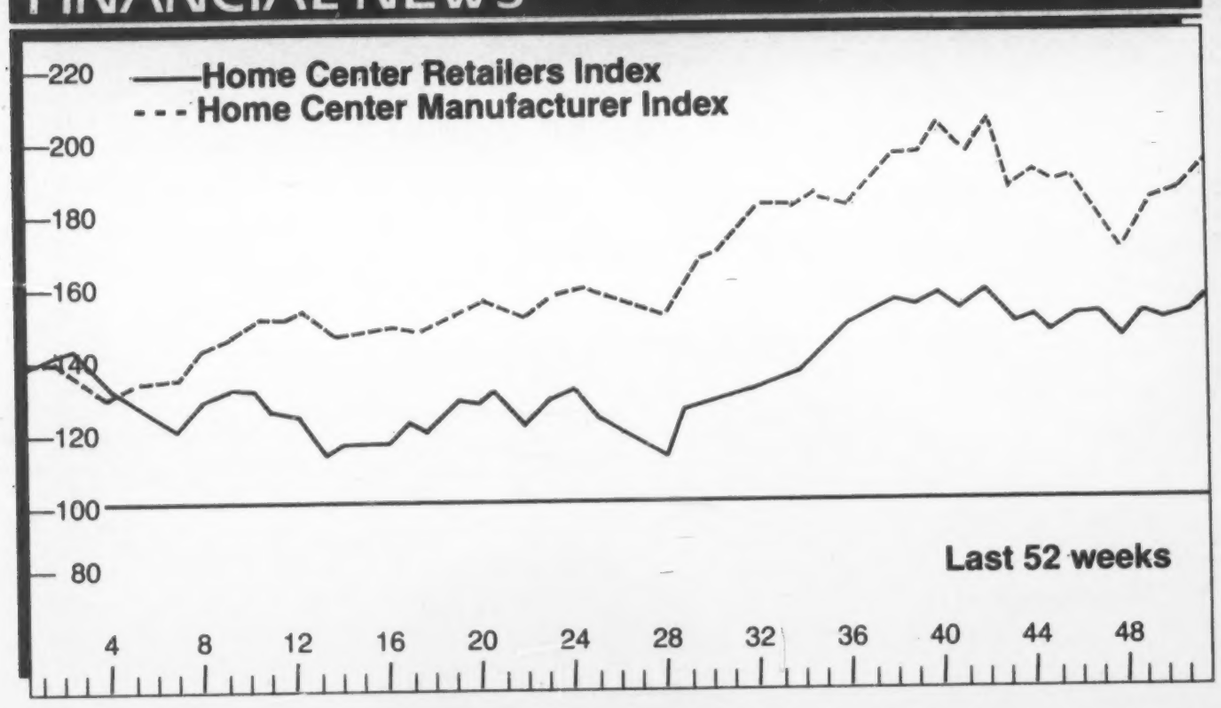
"People that could sell contractors and are tied into distribution networks have perceived B&D a consumer line of tools, so they carry it as their opening price or maybe their first step-up power tool," Convey said. "But then they carry somebody else's lines for the professional power tools.

B&D is not expected to alter its approach with consumers, which remains competitive, Convey indicated.

He said Black and Decker's absence from the pro lines was surprising given that consumers are quite familiar with the company name and given that in the industrial tool and fastening markets, B&D's presence is formidable.

The first signs of B&D's new approach to the professional power tool market may begin this fall.

FINANCIAL NEWS

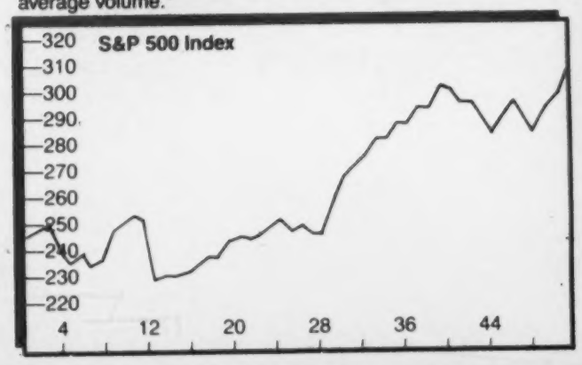


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
6-26-87	(100)	%	%
Moore Handley M	1,733	439.1	9.7
Am Consum Prods M	1,354	409.4	- 2.3
Clairson Intl M	3,852	376.1	- 7.2
Manville Cp N	47,851	351.1	- 6.1
PPG Inds N	49,621	274.8	17.6
Am Woodmark M	1,058	250.0	3.5
Mor-Flo Inds M	437	205.3	- 3.1
Waxman Ind M	1,349	182.2	3.8
Hechinger B M	1,811	182.1	2.2
Payless Cash N	16,771	178.2	10.5

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market	2-Weeks Ended 6-26	2-Week Price Change	Total 2-Week Volume
6-26-87	$	%	(100)
PPG Inds N	48.50	17.6	49,621
Payless Cash N	23.75	10.5	16,771
Moore Handley M	8.50	9.7	1,733
Pottatch Cp N	33.38	7.7	8,980
Emhart Corp N	45.25	7.4	3,684
Triangle Ind N	36.13	6.3	9,440
Macmillan Bloedel M	19.50	6.1	17,671
Sherwin-Wms N	35.75	5.5	6,957
Cooper Indus N	60.63	5.0	12,981
INTERCO Inc N	46.63	4.8	17,218
Losers	$	%	(100)
Pope & Talbot N	21.00	- 9.2	2,461
Owens Corn N	23.38	- 7.4	20,124
Clairson Intl M	16.00	- 7.2	3,852
Manville Cp N	3.88	- 6.1	47,851
Masco Corp N	34.63	- 5.5	21,472
Home Depot N	33.75	- 4.9	15,547
Natl Lumber M	5.00	- 4.8	334
Mor-Flo Inds M	11.75	- 3.1	437
Zayre Corp N	28.00	- 3.0	50,930
Weyerhaeuser N	50.88	- 2.4	41,735

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market: Price: 2-Weeks Ended 6-26-87	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Volume Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended
	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-
Retailers																	
Grossman's Inc M	9.38	- .13	- 1.3	9.75	9.00	11.25	6.75	1,623	.81	.41	97.6	NE	.00	.0	.....	3 mos.	03-87
Hechinger A M	23.25	.50	2.2	24.25	22.75	24.25	16.00	6,445	5.90	2.89	104.2	NA	.16	.7	.....		00-00
Hechinger B M	23.50	.50	2.2	24.75	23.00	24.75	16.25	1,811	1.10	.39	182.1	23.5	.06	.3	.....	3 mos.	04-87
Home Depot N	33.75	- 1.75	- 4.9	37.00	33.63	37.00	15.88	15,547	5.59	3.02	85.1	29.9	.02	.1	.....	3 mos.	04-87
INTERCO Inc N	46.63	2.13	4.8	48.00	43.75	48.00	36.63	17,218	6.03	2.31	161.0	14.2	1.60	3.4	NEW	3 mos.	05-87
K mart Cp N	43.38	.38	.9	45.25	43.00	45.34	28.84	65,788	3.29	1.74	89.1	14.1	1.16	2.7	.....	3 mos.	04-87
Lowe's Cos N	27.38	.75	2.8	28.13	26.50	36.25	22.50	12,252	3.09	1.54	100.6	19.1	.44	1.6	.....	3 mos.	04-87
Natl Hardgoods M	7.63	.13	1.7	7.63	7.50	10.00	6.88	144	1.17	1.20	- 2.5	10.9	.00a	.0	NEW	3 mos.	04-87
Natl Lumber M	5.00	- .25	- 4.8	5.75	5.00	7.50	4.00	334	.59	.46	28.3	NE	.00	.0	.....	*	04-87
Pay n Pak N	20.88	- .13	- .6	21.13	20.75	21.38	9.50	2,750	2.75	4.61	- 40.3	26.8	.40	1.9	NEW	3 mos.	05-87
Payless Cash N	23.75	2.25	10.5	24.38	21.63	26.88	15.88	16,771	4.84	1.74	178.2	18.7	.16	.7	NEW	6 mos.	05-87
Scotty's Inc N	13.75	.38	2.8	14.25	13.38	17.25	12.00	1,101	.76	.63	20.6	18.6	.52	3.8	.....	9 mos.	03-87
Sears, Roebuck N	51.88	.63	1.2	53.25	50.75	56.00	39.00	79,935	2.14	1.22	75.4	13.5	2.00	3.9	.....	3 mos.	03-87
Std Brd Pnt N	23.63	.88	3.8	25.00	23.00	27.00	19.38	3,515	3.13	1.48	111.5	17.8	.60	2.5	.....	fiscal	01-87
Strober Organiz M	12.38	.13	1.0	12.75	12.00	15.25	10.50	1,341	2.24	.81	176.5	13.6	.00	.0	.....	3 mos.	03-87
Supermkts Gen N	39.50	.75	1.9	39.75	38.63	46.75	22.50	5,769	1.50	5.91	- 74.6	25.8	.28	.7	.....	3 mos.	04-87
Wickes Cos A	4.50	.00	.0	5.00	4.25	6.13	3.13	106,970	4.51	2.29	96.9	7.5	.00	.0	.....	3 mos.	04-87
Wolohan Lumber M	14.75	.25	1.7	14.75	14.25	15.00	7.50	892	1.52	1.64	- 7.3	13.4	.20	1.4	.....	3 mos.	03-87
Zayre Corp N	28.00	- .88	- 3.0	29.63	27.50	43.88	20.75	50,930	8.63	3.57	141.7	17.2	.40	1.4	.....	3 mos.	04-87
Wholesalers																	
Hughes Supply N	26.63	- .25	- .9	27.00	26.38	28.38	20.63	462	1.40	1.01	38.6	12.4	.40	1.5	.....	3 mos.	04-87
Moore Handley M	8.50	.75	9.7	8.50	7.63	15.88	6.75	1,733	6.90	1.28	439.1	18.9	.00	.0	.....	3 mos.	03-87
Lewis Palmer M	8.75	- .13	- 1.4	8.88	8.25	9.88	7.25	873	2.18	1.67	30.5	21.9	.28	3.2	.....	3 mos.	04-87
Stanline Inc M	11.25	.00	.0	11.50	11.00	12.75	7.84	747	4.40	1.73	154.3	10.6	.32b	2.8	.....	6 mos.	04-87
Manufacturers																	
Am Consum Prods M	10.50	.25	2.3	10.88	10.50	11.00	8.50	1,354	7.03	1.38	409.4	15.9	.00	.0	.....	3 mos.	03-87
Am Standard N	42.00	.50	1.2	44.00	40.88	51.88	36.00	5,540	1.67	.83	101.2	9.1	1.80	4.3	.....	3 mos.	03-87
Am Woodmark M	14.88	.50	3.5	15.13	14.38	17.13	10.00	1,058	1.54	.44	250.0	14.7	.00	.0	.....	fiscal	04-87
Armstrng Wrld N	37.25	- .50	- 1.3	39.88	36.75	44.00	24.88	12,845	2.70	1.40	92.9	13.6	.90	2.4	.....	3 mos.	03-87
Black & Decker N	23.50	.63	2.7	24.25	22.50	34.25	14.50	24,489	4.22	3.05	38.4	39.2	.40	1.7	.....	6 mos.	03-87
Boise Cascade N	74.75	3.00	4.2	75.75	71.13	86.88	51.50	11,780	4.04	2.49	62.2	19.7	1.90	2.5	.....	3 mos.	03-87
Certain-teed N	41.00	- .50	- 1.2	41.25	39.50	41.88	24.63	2,012	1.06	.66	60.6	12.7	1.00	2.4	.....	3 mos.	03-87
Champ Intl N	37.38	1.00	2.7	38.00	35.63	43.50	22.50	31,024	3.30	2.46	34.1	15.1	.64	1.7	.....	3 mos.	03-87
Clairson Intl M	16.00	- 1.25	- 7.2	18.25	15.75	18.25	10.25	3,852	7.57	1.59	376.1	33.3	.00	.0	.....	6 mos.	03-87
Cooper Indus N	60.63	2.88	5.0	62.25	57.00	62.25	35.63	12,981	2.68	1.34	100.0	19.7	1.68	2.8	.....	3 mos.	03-87
DeSoto Inc N	38.50	- .75	- 1.9	40.13	38.25	43.75	34.25	448	1.14	.78	50.0	46.5	1.40	3.5	.....	3 mos.	03-87
Emhart Corp N	45.25	3.13	7.4	45.75	42.00	45.75	30.75	3,684	1.19	.78	56.6	NE	1.40	3.1	.....	3 mos.	03-87
Georgia-Pacific N	46.13	1.25	2.8	47.63	44.88	52.75	29.00	39,009	3.63	2.45	48.2	14.6	1.00	2.2	.....	3 mos.	03-87
Insilco Corp N	22.75	.75	3.4	23.00	22.00	26.25	17.38	2,889	1.20	1.03	25.2	14.0	1.00b	4.4	.....	3 mos.	03-87
La Pacific N	31.75	.38	1.2	32.50	30.38	38.63	22.00	13,283	3.50	1.92	82.3	14.7	.90b	2.5	.....	3 mos.	03-87
Macmillan Bloedel M	19.50	1.13	6.1	19.63	18.13	22.38	8.25	17,671	1.74	1.15	51.3	NA	.42	NA	.....	3 mos.	03-87
Manville Cp N	3.88	- .25	- 6.1	5.38	3.75	5.38	1.63	47,851	19.94	4.42	351.1	1.1	.00	.0	.....	3 mos.	03-87
Masco Corp N	34.63	- 2.00	- 5.5	37.38	34.50	40.88	23.50	21,472	1.66	.94	76.6	21.2	.36	1.0	.....	3 mos.	03-87
Mor-Flo Inds M	11.75	- .38	- 3.1	12.25	11.50	16.50	11.75	437	1.74	.57	205.3	40.5	.01	.1	.....	3 mos.	03-87
Newell Co N	36.63	.63	1.7	37.50	36.00	39.75	24.00	1,638	1.43	.78	83.3	16.4	.84	2.3	.....	3 mos.	03-87
Norton Inc N	14.25	.13	.9	14.75	14.00	17.88	11.75	4,070	2.49	.97	156.7	8.6	.10	.7	.....	3 mos.	03-87
Owens Corn N	23.38	- 1.88	- 7.4	25.38	23.00	32.38	8.88	20,124	5.37	3.31	62.2	NA	.00	.0	.....		00-00
Ply-Gem A	16.38	- .13	- .8	16.63	15.63	18.13	10.00	1,728	2.15	.97	121.6	17.2	.12	.7	.....	3 mos.	03-87
Pope & Talbot N	21.00	- 2.13	- 9.2	24.50	20.50	24.50	8.88	2,461	2.05	1.79	14.5	10.9	.44	2.1	.....	3 mos.	03-87
Pottatch Cp N	33.88	2.38	7.7	34.50	30.25	41.88	24.00	8,980	3.38	1.43	136.4	12.8	.84	2.5	.....	3 mos.	03-87
PPG Inds N	48.50	7.25	17.6	53.50	41.13	53.50	29.63	49,621	4.16	1.11	274.8	17.3	1.08	2.2	.....	3 mos.	03-87
Sherwin-Wms N	35.75	1.88	5.5	35.88	33.75	38.50	22.75	6,957	1.54	.88	75.0	15.3	.56	1.6	.....	3 mos.	03-87
Stanley Works N	34.25	1.13	3.4	35.88	33.00	35.88	23.19	5,139	1.21	.64	89.1	17.6	.76	2.2	.....	3 mos.	03-87
Thos Inds N	19.63	.13	.6	19.88	18.50	22.63	15.50	793	.80	.42	90.5	14.6	.68b	3.5	.....	3 mos.	03-87
Triangle Ind N	36.13	2.13	6.3	36.25	33.75	39.75	21.13	9,440	5.54	2.35	135.7	13.5	.12	.3	.....	3 mos.	03-87
Union Camp N	41.88	1.44	3.6	43.50	40.13	48.13	38.64	17,302	2.38	1.53	55.6	26.2	1.16	2.8	.....	3 mos.	03-87
USG Corp N	37.13	1.38	3.8	38.25	35.63	46.50	31.00	11,878	2.27	1.07	112.1	8.6	1.12	3.0	.....	3 mos.	03-87
Weiler, Jim N	53.13	1.38	2.7	55.50	52.75	62.25	40.38	11,224	3.56	1.71	107.0	12.2	1.40	2.6	NEW	9 mos.	06-87
Waxman Ind M	10.25	.38	3.8	10.25	10.00	13.25	6.34	1,349	2.06	.73	182.2	21.8	.08	.8	.....	9 mos.	03-87
Weyerhaeuser N	50.88	- 1.25	- 2.4	53.00	49.88	60.00	30.50	41,735	3.09	1.79	81.2	21.6	1.30	2.6	.....	3 mos.	03-87

Company and Market	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers												
Grossman's Inc M	192.0	- 18.3	(6.5)	NE	(.32)	NE	192.0	- 18.3	(6.5)	NE	(.32)	NE
Hechinger A M	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B M	164.8	20.4	7.6	55.1	.24	50.0	164.8	20.4	7.6	55.1	.24	50.0
Home Depot N	334.0	50.0	12.8	151.0	.43	115.0	334.0	50.0	12.8	151.0	.43	115.0
INTERCO Inc N	781.4	34.9	26.5	84.0	.62	34.8	781.4	34.9	26.5	84.0	.62	34.8
K mart Cp N	5594.4	7.3	115.5	26.1	.57	21.3	5594.4	7.3	115.5	26.1	.57	21.3
Lowe's Cos N	569.2	6.6	12.9	13.2	.33	6.5	569.2	6.6	12.9	13.2	.33	6.5
Natl Hardgoods M	8.8	35.4	.0	NC	.03	.0	8.8	35.4	.0	NC	.03	.0
Natl Lumber M	NC	NC	NC	NC	NC	NC	38.2	NC	.1	NC	.01	NC
Pay n Pak N	115.4	9.8	4.4	91.3	.44	91.3	115.4	9.8	4.4	91.3	.44	91.3
Payless Cash N	489.8	14.2	16.2	3.8	.47	4.4	821.9	16.9	19.7	9.4	.57	9.6
Scotty's Inc N	134.6	4.8	3.0	- 26.8	.21	- 25.0	378.9	5.5	7.0	- 27.8	.48	- 28.4
Sears, Roebuck N	10480.0	11.6	287.9	47.4	.75	44.2	10480.0	11.6	287.9	47.4	.75	44.2
Std Brd Pnt N	73.7	2.9	2.7	68.8	.24	71.4	326.6	- 3.4	15.0	- 5.1	1.33	- 5.0
Strober Organiz M	21.3		1.0		.17		21.3		1.0		.17	
Supermkts Gen N	1401.1	4.8	10.4	- 15.4	.27	- 20.6	1401.1	4.8	10.4	- 15.4	.27	- 20.6
Wickes Cos A	1540.4	54.8	82.7	426.8	.34	1600.0	1540.4	54.8	82.7	426.8	.34	1600.0
Wolohan Lumber M	41.0	45.9	1.0	NE	.18	NE	41.0	45.9	1.0	NE	.18	NE
Zayre Corp N	1295.8	24.1	21.0	25.7	.36	28.6	1295.8	24.1	21.0	25.7	.36	28.6
Wholesalers												
Hughes Supply N	95.8	9.6	2.0	25.0	.58	9.4	95.8	9.6	2.0	25.0	.58	9.4
Moore Handley M	23.6	15.7	.3	.0	.14	- 30.0	23.6	15.7	.3	.0	.14	- 30.0
Lewis Palmer M	52.9	56.5	.3	200.0	.09	350.0	52.9	56.5	.3	200.0	.09	350.0
Stanline Inc M	17.3	23.6	.6	100.0	.30	42.9	31.3	14.2	.9	50.0	.50	38.9
Manufacturers												
Am Consum Prods M	9.2	16.5	.3	NC	.14	600.0	9.2	16.5	.3	NC	.14	600.0
Am Standard N	779.7	15.3	21.6	- 57.0	.65	- 50.0	779.7	15.3	21.6	- 57.0	.65	- 50.0
Am Woodmark M	29.3	20.1	1.5	25.0	.22	- 4.3	115.8	18.9	6.8	51.1	1.01	12.2
Armstrng Wrld N	541.1	25.6	31.9	39.3	.67	39.6	541.1	25.6	31.9	39.3	.67	39.6
Black & Decker N	438.7	5.7	9.2	475.0	.16	700.0	967.7	3.3	31.6	40.4	.54	25.6
Boise Cascade N	912.2	.4	40.2	60.8	1.31	57.8	912.2	.4	40.2	60.8	1.31	57.8
Certain-teed N	266.8	4.6	14.5	38.1	.77	37.5	266.8	4.6	14.5	38.1	.77	37.5
Champ Intl N	1097.2	- 2.2	55.5	152.3	.59	195.0	1097.2	- 2.2	55.5	152.3	.59	195.0
Clairson Intl M	18.9	33.1	.8	60.0	.17	30.8	35.2	23.9	1.0	11.1	.22	- 12.0
Cooper Indus N	800.5	- 7.6	27.6	7.0	.56	5.7	800.5	- 7.6	27.6	7.0	.56	5.7
DeSoto Inc N	90.3	- 6.7	2.2	- 8.3	.54	5.9	90.3	- 6.7	2.2	- 8.3	.54	5.9
Emhart Corp N	602.6	18.2	28.0	46.6	.90	32.4	602.6	18.2	28.0	46.6	.90	32.4
Georgia-Pacific N	1855.0	15.6	80.0	166.7	.71	184.0	1855.0	15.6	80.0	166.7	.71	184.0
Insilco Corp N	175.7	- 2.6	7.8	14.7	.37	15.6	175.7	- 2.6	7.8	14.7	.37	15.6
La Pacific N	422.9	31.1	18.3	1084.3	.43	975.0	422.9	31.1	18.3	1084.3	.43	975.0
Macmillan Bloedel M	719.4	17.3	60.4	106.8	.54	134.8	719.4	17.3	60.4	106.8	.54	134.8
Manville Cp N	475.0	4.3	42.9	257.5	1.52	533.3	475.0	4.3	42.9	257.5	1.52	533.3
Masco Corp N	450.0	46.1	55.5	23.1	.42	20.0	450.0	46.1	55.5	23.1	.42	20.0
Mor-Flo Inds M	55.5	5.9	.6	- 14.3	.25	- 10.7	55.5	5.9	.6	- 14.3	.25	- 10.7
Newell Co N	101.3	7.2	6.1	48.8	.51	15.9	101.3	7.2	6.1	48.8	.51	15.9
Norton Inc N	290.4	77.7	9.2	- 5.2	.57	- 40.0	290.4	77.7	9.2	- 5.2	.57	- 40.0
Owens Corn N	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem A	70.6	39.5	3.3	65.0	.29	11.5	70.6	39.5	3.3	65.0	.29	11.5
Pope & Talbot N	100.3	35.4	6.7	NE	.55	NE	100.3	35.4	6.7	NE	.55	NE
Pottatch Cp N	248.6	6.6	17.8	30.9	.63	31.3	248.6	6.6	17.8	30.9	.63	31.3
PPG Inds N	1260.8	10.9	86.9	25.6	.73	23.7	1260.8	10.9	86.9	25.6	.73	23.7
Sherwin-Wms N	380.5	14.5	8.2	18.8	.18	20.0	380.5	14.5	8.2	18.8	.18	20.0
Stanley Works N	416.8	28.6	19.2	30.6	.44	25.7	416.8	28.6	19.2	30.6	.44	25.7
Thos Inds N	78.7	11.2	3.8	18.8	.38	15.2	78.7	11.2	3.8	18.8	.38	15.2
Triangle Ind N	912.2	88.5	6.3	96.9	.20	100.0	912.2	88.5	6.3	96.9	.20	100.0
Union Camp N	537.0	8.5	44.2	100.9	.80	100.0	537.0	8.5	44.2	100.9	.80	100.0
USG Corp N	693.2	11.4	85.0	84.4	1.65	103.7	693.2	11.4	85.0	84.4	1.65	103.7
Weiler, Jim N	610.4	- 2.6	46.7	21.3	.74	- 54.3	1719.8	.8	112.6	27.2	2.77	- 8.9
Waxman Ind M	NC	NC	(.6)	- 100.0	(.19)	- 100.0	30.9	- 55.9	1.0	- 44.4	.15	- 74.1
Weyerhaeuser N	1617.3	23.8	101.9	103.8	.75	141.9	1617.3	23.8	101.9	103.8	.75	141.9

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
.a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Markets
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services, Inc., Richmond, Va. 23219

New co-op for dealers pushes marketing to builders

(Continued from page 1)

"We had to find a way to maintain a stronger relationship with the independent building supplier," he said.

So in January, MATCO formed a corporation, known as National Building Centers here, that would be a co-op for lumber dealers, a la Builder Marts of America or Lumbermens Merchandising Corporation, but with two real differences.

Where BMA and ELMCO are essentially commodities brokers, arranging volume purchases and handling drop shipments for their members, National will sell its dealer-members exclusively out of MATCO's distributor network, which covers from Maine to South Carolina and out to nearly every state in the Midwest.

Another difference is National's merchandising program, which is specifically designed to assist lumber dealers to attract more contractor customers.

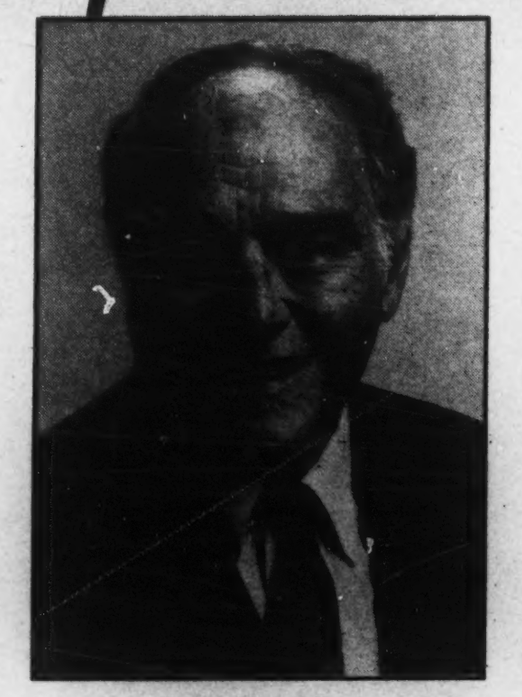
It appears that National has struck a responsive chord with independent dealers: Through early June, the co-op had signed up 75 members, and its goal is to have 100 in its first year of operation.

Half weren't co-op members

Many lumber dealers are already members of one of the hardware or building material buying groups. But most co-op officials admit that dealer switching between groups is relatively common, which National will be looking to capitalize on to grow.

Gomberg recognized that, in 1986, American got 36 percent of its $842 million in sales from lumber and building materials distribution; Ace's $53 million in commodities sales will grow appreciably in 1987 as its new building materials program that was introduced last October expands; Cotter, which did $104 million drop shipping these products in 1986, will have its first buying show for lumber dealers in Florida next January.

However, he was confident about the attractiveness of National's program over its competitors.' "No matter how much Cotter does with lumber



Stanley Gomberg

dealers, its base is still hardware. We're building materials specialists," he said.

"Originally, we set up National to augment and benefit MATCO," said the 64-year-old Gomberg, a Harvard Law graduate who first got into the building materials business by starting the now-defunct Continental Materials. "But after going to a number of markets, we realized that what we were offering was a service that dealers had been looking for but couldn't find."

To amplify this point, Gomberg pointed out that among the first 60 dealers National signed up as members, half had not belonged to another buying group, a situation thought to be almost inconceivable for a hardware store and even most lumberyards.

Strong builder markets

On February 1, Gomberg and other MATCO employees began canvassing the Northeast and setting up regional meetings to sign new members, concentrating on western Pennsylvania; Vermont; southern Connecticut; New York City; Long Island, N.Y.; and northern New Jersey—markets where the majority of MATCO's distributors have warehouses, and where contractor activity in recent years has been particularly strong due to new home construction.

Now that it has established a viable concept, National is initiating the advertising and promotional programs targeting contractors it promised its dealers.

Gomberg, who serves as the co-op's managing director, said National will be hiring an ad agency over the next few weeks to devise such a campaign.

National is set up pretty conventionally, with the lumber dealers holding private stock in the company and comprising its management on a rotating basis. They would be paid a patronage dividend at the end of the year.

Gomberg declined to divulge what the investment requirements for dealers to join National were, noting that they haven't been formalized completely yet. "Eventually, we'll come up with some parameters, but the upfront money required will be relatively low," he said.

As for long-term expansion, Gomberg is hoping to convert many of the dealers already buying from MATCO's distributors into co-op members. "We have quite a pool to work from," he said. "Many of these dealers want and need the program we're developing."

Dealers slash budgets, report earnings increase

(Continued from page 1)

headquarters store.

The most dramatic factor impacting chains' earnings was the decline in selling, general and administrative (SGA) expenses as a percent of revenues.

Take The Home Depot, which had the most dramatic earnings increase of any company. Its net margin increased to 3.83 percent for the first quarter from 2.31 percent for the same period in 1986.

Nearly all of that 152-basis point increase came from a decline in the chain's SGA expenses to 20.97 percent in the quarter from 22.49 percent for the same period a year ago. (One hundred basis points make up a percentage point.)

'They've turned the [Home Depot] inside out," said Skip Helm, the analyst covering home centers at William Blair, Chicago. "The execution of their strategy is much better and they have retrained their people."

Hechinger's performance

Hechinger experienced a 94 basis point increase in net margin to 4.49 percent, from 3.55 percent the year before. That's even more remarkable than Home Depot's performance, since the latter's comparison is with a bad quarter in 1986.

Again, the most dramatic change at Hechinger was a 64 basis point decline in SGA to 21.53 percent of revenues.

"Hechinger is continuing its good execution, in a better [competitive] environment," pointed out Helm.

Wolohan Lumber slashed its SGA to only 21.04 percent of sales from 24 percent in the first quarter of 1986 percent. SGA dropped 185 basis points at Grossman's, 24 points at Payless and 22 at Lowe's.

Earnings gains the result

Improvements in gross margins, which have come about as a result of easing of the competitive pressures in many markets, had an effect on the earnings at some companies, although not nearly as pronounced as those emanating from SGA cuts.

Gross margins increased 37 basis points to 29.37 percent at Hechinger, and increased three basis points to 28.18 percent at The Home Depot.

Gross margins also went up at Grossman's and Wolohan, while dropping at Payless, Scotty's and Lowe's.

Aggressive spending helps

Helping to bolster the margins at Home Depot and Hechinger has been aggressive spending by consumers.

"Demand continues to be strong on the part of consumers, as evidenced by reports of good increases in same store sales," said Bo Cheadle of Montgomery Securities, San Francisco.

In some cases, cost cutting—in tandem with a consumer spending binge and easing of shelf pricing pressures—has created some surprisingly healthy bottom lines.

Same store sales refers to sales at stores that have been open one year or longer.

Yet the contractor business has not followed suit. As has been well reported, the nation is experiencing a softening of new home construction. That has had an effect on the builder trade at retail outlets.

Aggressive consumer spending and softening contractor demand—along with oil patch problems—have led to something of a dichotomy in the home center field.

"There is a widening gap between those with earnings growth and those with problems," said Barbara Alexander of Salomon Brothers, New York.

Less profit from builders

Home Depot and Hechinger, both of which rely heavily on consumer traffic, are reporting strong gains. Meanwhile Lowe's and Scotty's—which have strong contractor trade as well as consumer trade—are reporting less than robust earnings increases.

Scotty's, on the other hand, has come under pressure from a new round of competition in its primary Florida market. Builders Square, in particular, has been active with new stores in Scotty's territory.

There was some speculation the Tax Reform Act of 1986 would start to help home center retailers by now, and it appears to be true.

The tax rate dropped at Hechinger, Depot, Payless and Lowe's during the most recent quarter, while rising at Scotty's.

Yet the lower tax rates accounted for only a small portion of the earnings gains reported at Depot and Hechinger.

At the former, net earnings would have been 18 basis points higher if the company had been taxed at the same rate as the first quarter last year.

At Hechinger, the comparable figure is 24 basis points.

1987 Hardware Show Schedule

By an NHCN staff editor

CHICAGO — Eight one-hour seminars will be held in conjunction with the 1987 National Hardware Show, August 9 - 12 at McCormick Place in Chicago.

The seminars will be conducted by the American Hardware Manufacturers Association.

Other sponsors of Hardware Industry Week include: the Hand Tools Institute, Home Center Institute, National Retail Hardware Association, National Lawn and Garden Distributors Association and the National Wholesale Hardware Association.

The show will be held at McCormick Place, Chicago.

SEMINAR SCHEDULE

SEMINAR A: Videotape in Selling and Training
Monday, Aug. 10, 3:30 p.m., McCormick Place East.

SEMINAR B: For Retailers: The Economics of Importing Direct
Monday, Aug. 10, 5:30 p.m., McCormick Place East.

SEMINAR C: Wholesaler Shows—What's Good, What's Not
Monday, Aug. 10, 3:30 p.m., McCormick Place North.

SEMINAR D: How Buyers Evaluate New Products
Tuesday, Aug. 11, 8:30 a.m., McCormick Place East.

SEMINAR E: Personal Computers in Hardlines Retailing
Tuesday, Aug. 11, 8:30 a.m., McCormick Place East.

SEMINAR F: Market Information: Lawn & Garden's Needle in a Haystack
Tuesday, Aug. 11, 8:30 p.m., McCormick Place North.

SEMINAR G: Consumer Climate in the '80s: Its Impact on the Industry
Tuesday, Aug. 11, noon, McCormick Place North.

SEMINAR H: The Rep and the Factory: Improving the Relationship
Tuesday, Aug. 11, 3:30 p.m., McCormick Place East.

For more information contact William P. Farrell at the American Hardware Manufacturers Association (AHMA), 931 North Plum Grove Road, Schaumburg, Ill., 60173-4796.

7/27/87 C5150-6

00000530 HC
CONGRESSIONAL INFO INC
4520 EAST-WEST HWY/STE 8 1HF
WASHINGTON DC 20014

National
Home Center News ®

Vol. 13, No. 15 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. July 27, 1987

Inspectors target lumber stamp scam

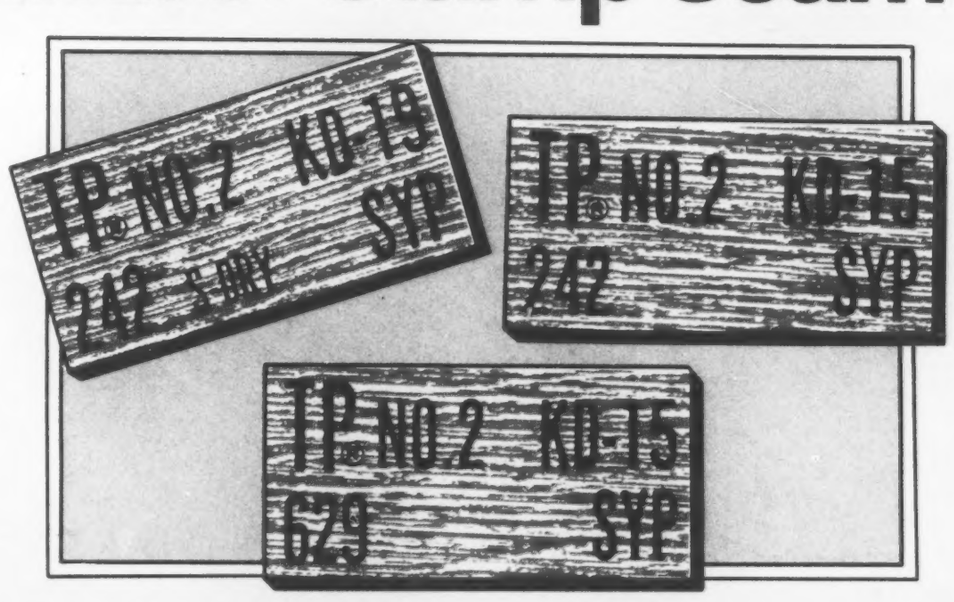
By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — Counterfeit grading stamps on substandard lumber are prompting law enforcement authorities and industry grading inspectors to shut down devious wood processors who are selling to unwary builders and retailers.

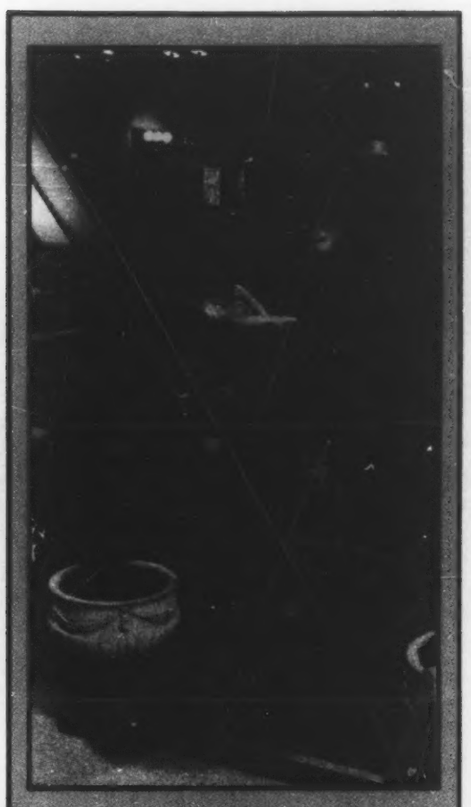
Inspectors of the American Lumber Standards Committee (ALSC), an agency sanctioned by the U.S. Commerce Department to police the forest products industry's quality control and grading systems through nine private inspection agencies, said the problem of counterfeit stamps appears to be more common in the Southern states.

In a graphic and recent example of government cracking down on the practice, the Florida Attorney General charged the executives of Universal Truss Inc., Miami, with deceptive sales practices after Dade County building inspectors in May discovered the manufacturer allegedly put a high-grade stamp on low-quality 2x4s used in trusses. Investigators believe Universal Truss supplied structurally deficient trusses to some 2,000 homes since 1984.

(Continued on page 20)



Examples of counterfeit stamps of Timber Products Inspection Inc. Dealers who suspect they are carrying fraudulent stamped lumber should call TPI 800-241-1194 for a regrading inspection.



Lowe's displays a gas grill on a brick patio in one of its Mobile, Ala., stores. NHCN photo

Gas grills ignite summer BBQ sales

By Suzanne Floyd
NHCN staff editor

NATIONAL REPORT — A warehouse home center in the East had purchased a truckload of charcoal in anticipation of the summer barbecue season. But through June, pallets of the stuff were still to be found on the store's sales floor.

The store's assistant manager noted that his unit was selling "50 times more gas grills this season then charcoal." The trend in his store was evident nationwide, as consumers—except those city dwellers barbecueing on their terraces or fire escapes—trade up to more durable gas grills, which are dominating other types of barbecues sold by home centers.

Grill manufacturers and retailers report healthy sales in the barbecue category overall. Arthur Seeds, president of the Barbecue Industry Association, said that sales for 1987 have been excellent so far and have held pace with 1986.

(Continued on page 104)

Chicago police nab 25 workers in Handy Andy sting operation

By an NHCN staff editor

CHICAGO — Police have charged 25 employees at a new Handy Andy store here with theft, in a scam involving at least $125,000 worth of merchandise.

Sgt. James Peterson, who led the police investigation, said 14 employees were arrested on July 2, on felony theft charges.

Another 11 have been charged with counts of misdemeanor theft, and their arrests are pending, he said.

According to Peterson, the scam worked liked this:

When a customer expressed interest in an item, a sales clerk would suggest to the customer that the item could be had for less than the ticketed price.

> "I'm sure this is going on every day in large retail stores. It's just that not everyone catches it like Handy Andy. It shows their security was pretty good."
>
> —**Sgt. James Peterson,** *Chicago Police Dept.*

The clerk and customer would negotiate a price, the customer would be instructed to pick up the merchandise behind the store. The clerk would then pocket the money paid.

"The customer going in there was getting a lot, the employees involved were getting a lot," said Peterson. "The only one who wasn't getting a lot was Handy Andy." Company officials refused to comment on the case.

Peterson said Bob Coleman, Handy Andy's director of corporate security, told police of the scam on June 6, after discovering an employee in the act of illegally selling merchandise.

Posing as customers, six police mounted a sting operation, making 20 purchases be-

(Continued on page 104)

Adjuster clears Win-Holt cart in Depot death

By an NHCN staff editor

NEW YORK — The lumber cart whose collapse resulted in the death of a child in a Home Depot in May was not manufactured by Win-Holt, an independent Florida insurance adjuster has determined.

Earlier news accounts that named Win-Holt as the manufacturer of the cart in question (*NHCN*, June 1, June 15), were based on police reports.

In a report dated June 15, The Florida Adjustment Bureau, Fort Lauderdale, Fla., asserted that in-

(Continued on page 104)

Diamond secures $65 million line of credit

By Ariane Sains
NHCN staff editor

CARROLLTON, Tex. — Diamond Lumber has secured a $65 million line of credit from its major lender, money the company hopes will help pull it out of its Chapter 11 morass.

Within the last few weeks, Diamond has also added 15 outside salespeople to its staff, in a move to maintain visibility and bolster credibility and sales among contractors, the major source of Diamond's business.

"We are continuing to fight the malicious rumors of our demise," said Jerold Grubstein, president of Michigan General Corp., Diamnond's parent. "We're cautiously optimistic. We're going to turn this thing around."

Under the terms of Diamond's June 30 agreement with CIT Business Credit, a division of Manufacturers Hanover Trust, the company may borrow up to $65 million through the end of the year. The money will be used for operating expenses.

In addition, Diamond will use sales revenue to pay off $45 million worth of revolving credit extended by CIT before the bankruptcy filing.

The new credit line is based on Diamond's receivables, inventories and real estate assets, Grubstein said. Diamond must submit monthly projections of its borrowing and profit expectations to CIT as part of the agreement.

As long as the company meets those projections, within prearranged boundries, CIT cannot cancel Diamond's credit, Grubstein said.

(Continued on page 18)

INSIDE

The Great Backyard
Last year, consumers spent more than $14 billion on lawn and garden products, and some of the biggest spenders were home center shoppers. Home centers focused much of the project selling on deck construction, but not everyone views the category from a project standpoint.

NEWSBREAKS

BID TO TAKE OVER JIM WALTER CORP: The Tampa, Fla.-based conglomerate, which last year was rumored to be a takeover candidate by Wickes Cos., received a "surprise" offer by Kolberg, Kravis, Roberts, the New York leveraged buyout specialist, of $50 per share, or $2.03 billion in cash for its common stock. Analysts said the stock of the $2.37 billion home builder and commodities supplier could be worth as much as $65, as its price jumped by $12.50 to $58 on the day of the KKR offer.